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FM AMEMBASSY MANAMA
TO RUEHC/SECSTATE WASHDC PRIORITY 8548
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0016
RUEHAD/AMEMBASSY ABU DHABI PRIORITY 1792
RHBVAKS/COMUSNAVCENT PRIORITY
RHMFIUU/HQ USCENTCOM MACDILL AFB FL PRIORITY

UNCLAS MANAMA 000162

SIPDIS
SENSITIVE

BAGHDAD FOR AMBASSADOR ERELI

E.O. 12958: N/A
TAGS: [ECON](#) [EPET](#) [AE](#) [BA](#)
SUBJECT: OCCIDENTAL TO ENHANCE PRODUCTION IN BAHRAIN'S
AWALI FIELD

REF: A. MANAMA 58
[1](#)B. 08 MANAMA 715
[1](#)C. 08 MANAMA 702

[1](#)1. (SBU) Summary: Bahrain and Occidental Petroleum (Oxy) have reached an interim agreement to enhance production of the onshore Awali field. The final commercial agreement should be complete by the end of April, and Oxy hopes to begin ramping up operations in Bahrain by year's end. The initial investment will be worth at least USD 1.5 billion, and could grow to as much as USD 5 billion. Both Bahrain and Oxy are confident that they will be able to more than double Bahrain's current oil production, and significantly increase its natural gas production. End Summary.

[1](#)2. (SBU) On March 15, Bahrain's Minister of Oil and Gas and Chairman of its National Oil and Gas Authority (NOGA), Dr. Abdul Hussein bin Ali Mirza announced that an interim agreement had been reached between NOGA, Oxy, and Abu Dhabi's Mubadala Development Company to enhance the oil production of Bahrain's Awali field. Oxy VP for Government Relations Daeman Harris (please protect) told Econoff on March 16 that the interim agreement laid out the framework for creating a joint venture company between the three parties, but that final commercial terms had not yet been agreed. Harris said that negotiations were continuing and he anticipated that an agreement on the commercial terms would be signed before the end of April. The final agreement will have to be ratified by Parliament prior to being signed into law by the King.

[1](#)3. (SBU) Harris said that Mubadala will participate in the joint venture operationally and as an equity partner. (Note: Mubadala has an existing oil and gas division that has active investments in similar field enhancement projects in Oman and Libya. End note.) Harris said the initial investment in Bahrain would total USD 1.5 billion within the first five years, and over the next 20 years that number would likely grow to at least USD 5 billion -- making it the largest U.S. investment in Bahrain ever. Both Oxy and NOGA officials are confident that the field enhancement project will double the current output of 32-35,000 bbl/day, and could easily exceed 100,000 bbl/day. Both parties are also hopeful that the project will significantly increase the production of natural gas associated with the field, which may be of even greater interest to the Bahrainis, who remain in negotiations with Iran to purchase natural gas (refs A, B, C).

[1](#)4. (SBU) Once the final agreement is signed into law, Oxy will move to begin operations, aiming to establish the joint venture company infrastructure by the end of the year. According to Harris, Oxy has already entered negotiations for land and the construction of a local headquarters. While he anticipates that the majority of the joint-venture staff will

be Bahraini (80-90%), Oxy plans to eventually move 20-40 personnel to Bahrain.

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